Wednesday, December 16, 1998

THE WHITE HOUSE

WASHINGTON

December 10, 1998

I think we have to do more BC

12-16-98

copied Sperling Berger Brainard Podesta

MEMORANDUM TO THE PRESIDENT

FROM: GENE SPERLING GBS
SAMUEL BERGER
LAEL BRAINARD LB

CC: CHIEF OF STAFF

SUBJECT: Update on Steel

As you know, your advisors are pressing ahead on several fronts to ensure effective relief for U.S. steel firms and workers. Since you met with steel industry representatives last month, the Administration has taken a number of actions to enforce our trade laws, speed relief, and exert bilateral pressure, which are outlined below. Nonetheless, the American steel industry, steelworkers, and members of the Congressional Steel Caucus remain concerned that the dumping cases will take too long, and they continue to seek quicker relief. Therefore, we identify below several key issues that will require decisions from you over the coming months.

ACTIONS TAKEN

1. Enforcement of Trade Laws

The Commerce Department is proceeding with vigorous enforcement of the trade laws:

- Critical Circumstances Finding on Russia and Japan: On November 23, Commerce issued an affirmative preliminary critical circumstance determination on the Japanese and Russian (but not Brazilian) investigations, which would allow for the retroactive imposition of any duties up to 90 days before the preliminary dumping determination (e.g. mid-November). This could have an immediate chilling impact on affected imports, but we will not know the actual impact until late-January, when December trade numbers become available.

- ITC Finds Preliminary Injury: The ITC made a preliminary finding of injury in early November. It is worth noting that only one of the commissioners found evidence of "material injury" while the remaining five commissioners found only a "threat" of injury.

- Early Preliminary Dumping Determination: The Department of Commerce is on schedule to issue preliminary determinations in the antidumping investigations on hot-rolled steel from Russia, Japan and Brazil by February 12 -- 25 days early.

- Strong Countervailing Duty Regulations: On November 5, Commerce issued final regulations that will strengthen our ability to combat unfair subsidies and enable Commerce to continue to take action against subsidies provided to a state enterprise even after it has been privatized. This is particularly important in the steel industry.

2. Bilateral Efforts

Hank Barnette and others have indicated their appreciation for your statements on steel in both Japan and Korea. We are in the process of sending members of the Steel Caucus and steel industry representatives a letter from John Podesta with excerpted comments of your press briefings from Japan and Korea, as well as other senior administration officials' comments.

Prime Minister Obuchi has not specifically responded to your concerns that any and all unfair trade practices be eliminated. During your meeting in Tokyo, Obuchi stated only that he would make "best efforts" on the range of trade issues you raised. Due to antitrust considerations, we have been particularly careful not to suggest that Japanese industry should engage in restraint of trade. Nonetheless, Japanese officials have indicated that their industry reports that October shipments of hot rolled steel to the United States are down 60 percent, although these numbers cannot be verified in official statistics. Meanwhile, the counsel to Japanese steel exporters is preparing to mount a legal challenge alleging Commerce's decisions to expedite the dumping investigation and the critical circumstances determination were made for political reasons.

The Korean government has been more forthcoming. Although the specific proposals made by President Kim during your meeting raise antitrust and WTO concerns, we can instead continue our government-to-government cooperation under the auspices of the bilateral steel dialogue to press for the elimination of unfair subsidization and trade practices.

3. Suspension Agreement with Russia

The Commerce Department has re-engaged the Russians on their request for a suspension agreement, and has notified industry and union representatives. Commerce is keeping Congressional members apprised of these developments. Commerce has indicated it will seek an agreement that provides effective relief to the domestic industry consistent with statutory requirements and foreign policy concerns by sharply lowering imports at the outset and permitting expansion over time. It is worth noting that once an agreement has been negotiated, there is a mandatory three-week public notice and comment period before it can be implemented.

STEEL CAUCUS HEARING

The Senate Steel Caucus held a public hearing on November 30. Senators Specter, Rockefeller, Mikulski, Sarbanes, DeWine, Santorum, and Byrd attended. Witnesses included Deputy USTR-designate Sue Esserman and Commerce Under Secretary David Aaron, Bethlehem Steel CEO Hank Barnette, United Steelworkers President George Becker, Wierton Steel CEO Riederer, and counsel for specialty steel producers Hartquist.

Although the steel executives and senators were supportive of Commerce's actions to expedite the dumping cases, the senators expressed concern that resolution of the trade cases takes too long and expressed disappointment with Administration actions to date. They have sent to you a letter expressing a sense of urgency and asking that you appoint a White House coordinator. We are drafting a reply that identifies Gene Sperling as your point person.

Although there was consensus on the nature of the problem, there was very little agreement on the solution. Senators Byrd and Sarbanes were critical of the Administration. Senator Byrd alleged that Administrations from both parties have put foreign countries ahead of American workers and proposed that you invoke emergency powers to deal with the import surge. Senator Sarbanes asked for a report on the potential use of national security statutes to address the steel crisis and pressed for an answer on the "who's in charge" question. Senator Mikulski indicated she wants to work with us, but warned that Congress will pass protectionist legislation if we do not do more to stand up for steel. Senator DeWine advocated legislation that would provide for dumping duties to be distributed to injured U.S. companies and workers. Chairman Specter called for legislation that would provide a private right of action for injured steel companies and workers to sue for past dumping damages under the Antidumping Act of 1916 (an antitrust statute now being challenged by the EU in the WTO), but noted his opposition to providing special compensation for the steel industry. Senator Rockefeller urged Administration self-initiation of a safeguards case under Section 201, and noted that the Finance Committee might consider initiating such a case. He also stated that legislation may be needed to expedite the release of import data.

George Becker called for immediate global quotas on steel; he complained that dumping cases take too long and dumping penalties do not compensate workers. Riederer advocated that Congress appropriate special funds for the steel industry. Barnette proposed the list of measures we have under review and introduced a new proposal to expand Section 301 trade remedies to address a "new generation of private and joint public/private restraints on international trade."

We will evaluate each of these proposals on their merits.

- It is likely there will be strong reluctance among the economic and national security team to use national emergency powers to provide trade relief to a particular industry. (Use of these authorities would also require legal review to ensure statutory standards are met.)

- USTR has confidentially informed Senator Specter that their initial assessment of his proposal providing injunctive relief through a private right of action suggests it is WTO-inconsistent. In addition, Justice is looking at the question of whether imposition of duties or quantitative restraints by the courts would present any constitutional problems.

- We have not yet fully evaluated Senator DeWine's proposal to distribute dumping duties directly to the injured parties. Determining how to allocate the dumping duties among affected parties would present difficult administrative challenges. It is worth noting that dumping duties were designed to level the playing field prospectively, rather than to provide indemnification to specific parties for past injurious conduct.

FUTURE ACTIONS

We are holding NEC Principals and Deputies meetings, which include both your economic team and your senior White House advisors, so that we can give you recommendations on the steel issue within the context of your overall trade agenda for next year. We are also working closely with the Chief of Staff's office to ensure that we take account of all appropriate considerations. There is general agreement among your advisors that we need to be responsive to legitimate claims of unfair trade, while advancing an aggressive market opening agenda, balancing all U.S. economic interests involved, and avoiding a protectionist backlash both here and abroad. Unless our response is effective, we risk losing the domestic consensus for greater trade liberalization.

As you will recall, the steel resolution from late October calls upon you to submit a comprehensive action plan to Congress by January 5. We have begun work on it. The current negotiation with Russia is likely to be the major new development, and we are also exploring whether it is possible to get a Korean commitment against unfair subsidies to all steel makers by the January 5 deadline.

Below are several additional actions that we will need to decide as the new legislative session approaches:

- Amending Safeguards (Section 201) Injury Standard: Your economic and national security advisors remain strongly divided on this legislation, with some opposed, some favorable, and others willing to proceed only if the safeguards legislation is packaged with market opening legislation such as fast track.

- Import Licensing: Industry seeks earlier access to trade data in order to prepare trade cases and to inform business decisions. Currently trade data lags by six weeks. Some have advocated an automatic, non-discriminatory import licensing regime, such as in Canada, as a means of providing earlier data. This proposal would require legislation and additional Customs resources and might send a protectionist signal, but it would be permissible under the WTO. We may bring this issue to you for decision by the end of the year.

- Self-Initiation of a Section 201 Case: A successful Section 201 case would provide you with considerable discretion and flexibility to implement a global remedy that could include quantitative restraints. However, industry is not confident that it could meet the injury standard under Section 201 and will not have a judgement on that until some time in January.

Additionally, there is disagreement among your advisers on whether to pursue such a case; some are worried that this would stimulate similar requests from other industries, could send a protectionist signal, and make you personally the arbitrator of protection for each industry. We will continue to consult with industry as they evaluate this option.

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Sperling
Podesta

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THE BRILLIANT BAILOUT

? Morgan's dramatic intervention to prevent an economic meltdown in 1907 is one most controversial episodes in the history of finance. A reassessment of the event—and rgan's actions—suggests that today's unravelling global economy could use his advice.

BY JEAN STROUSE

12.16.98

NINETY-ONE years ago, in the fall of 1907, the world was on the verge of economic collapse. Markets had been wildly unsettled for months. In March, in spite of record corporate earnings, the American stock market had crashed. Prices crumbled, brokerage houses closed, interest rates soared. The Dow Jones Industrial Average lost nearly twenty-five per cent of its value in three months, falling from a high of 96 to a low of 75. The City of San Francisco couldn't float a loan in New York that spring, and the Egyptian Stock Exchange crashed. The Bank of England sent three million dollars in gold to Alexandria to stop the slide, then found itself short of cash. As stocks plummeted on the Tokyo Exchange, banks failed all over Japan. French investors sold American stocks to buy gold and ship it home, which depleted United States reserves. In mid-August, the American stock market plunged again. The New York *Times* estimated the losses at a billion dollars.

The United States had no central bank to deal with this crisis, and the Treasury Secretary did not have the experience or the authority to stop the accelerating panic. One private banker did. In October, J. P. Morgan summoned New York's major financiers to his library on East Thirty-sixth Street. For two harrowing weeks, he raised money for desperate markets and shored up shaky institutions. In November, the panic subsided.

Morgan's dramatic handling of the 1907 crisis is one of the most famous and controversial episodes in the history of finance. Market experts regard it as the work of a clearheaded master who grasped the big picture and took decisive action, but off Wall Street it has been seen as yet another example of rich people manipulating events for their own profit. At the time, critics accused Morgan of having deliberately caused the panic, of snatching up vulnerable rivals at fire-sale prices, of using his mysterious expertise to ruin widows and orphans. Both readings of this man—brilliant financial statesman and rapacious robber baron—have persisted throughout the century.

Economic analysts as diverse as Walter Lippmann, John Maynard Keynes, and Milton Friedman agree that modern financial markets cannot fully regulate themselves and that the crises which occur periodically require some kind of external intervention. Nonetheless, interventions tend to be unpopular, on the political right because they involve tinkering with the sovereign free market, and on the liberal left because of deep-rooted democratic suspicions about Wall Street's power, motives, and greed. Last month, when Alan Greenspan testified before a congressional committee about the deal brokered by the Federal Reserve to buy time for Long-Term Capital Management—the hedge fund that had made the wrong bets with hundreds of billions of borrowed dollars—he explained that the failure of L.T.C.M. could have caused massive damage to the U.S. economy and rippled disastrously through already fragile international markets. Responding to skeptical questions, Greenspan cited the precedent set by Morgan in 1907, and pointed out that such interventions are "rare occasions" and are warranted only by the potential for widespread economic disruption.

The failure of the Federal Reserve to take the right corrective action in 1929 proved catastrophic. Today, the absence of competent financial leadership is crippling Asia and Russia, and the turmoil set off by trouble there threatens to engulf the rest of the world. The Fed's recent actions have for the moment given U.S. markets a breather, which has helped calm the global panic. Treasury Secretary Robert Rubin continues to warn, however, that we are facing "the most serious international financial disruption of the last fifty years." Whether he, Greenspan, the Group of Seven, the International Monetary Fund, and the World Bank can guide the world out of this crisis remains to be seen.

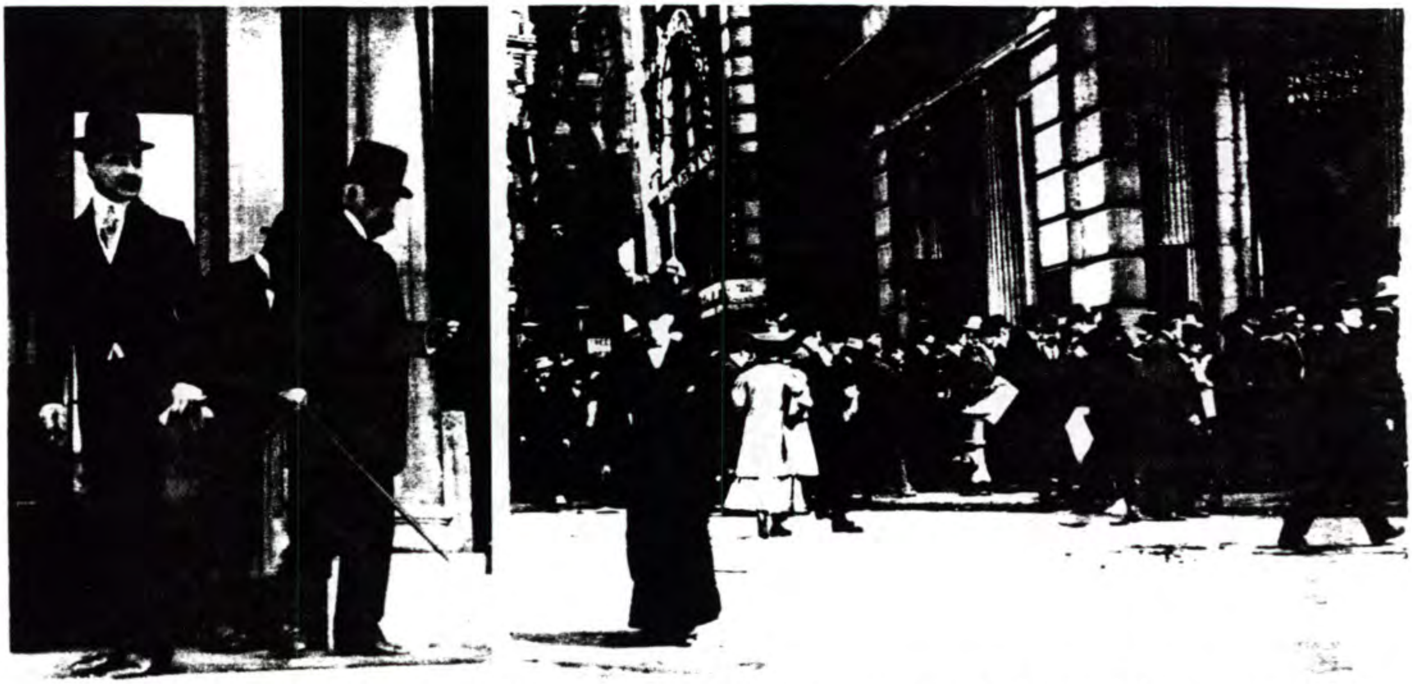
ALTHOUGH J. Pierpont Morgan is often cast as the high priest of modern capitalism, he didn't really believe in free markets. He spent most of his adult life trying to stabilize the chaotic U.S. economy, curb speculative profiteers, and bring the market's destructive forces under control. Still, he came to stand for everything Americans hate and fear about the power of Wall Street. He played a prominent role in the country's transformation from a rural, agrarian society to a modern industrial state—a transformation many people bitterly opposed. He worked in a period of unprecedented financial and political corruption that brought on a national shudder of disgust. And he was so convinced of his own patriotism and rectitude that he never courted public favor.

His critics have always been more persuasive than his champions. They tend to be better speakers and writers, they reflect popular American assumptions about the robber-baron chapter of our history, and their bracing hostility gives the story force. In 1910, Robert M. La Follette, the Republican senator from Wisconsin, described Morgan as a "thick-necked financial bully, drunk with wealth and power, [who] bawls his orders to stock markets, Directors, courts, Governments, and Nations." Sixty-five years later, E. L. Doctorow, in his novel "Ragtime," said much the same thing, portraying Morgan as "a burly six-footer with a large head of sparse white hair, a white moustache and fierce intolerant eyes set just close enough to suggest the psychopathology of his will."

A few years after the 1907 panic, Walter Lippmann observed that the muckraking exposés of the Progressive era had tapped into deep and legitimate dissatisfactions; otherwise, a "land notorious for its worship of success would not

bank; and was educated in Switzerland and Germany. By the time he started work in New York, at the age of twenty, he was fluent in French and German, familiar with Europe's great museums and art collections, and an avid student of world finance. When he was twenty-four, he married a lovely, intelligent young woman named Amelia Sturges, but she died four months later, of tuberculosis. In some ways, he never got over the loss. He married again, in 1865, and

money for the transatlantic cable; twenty years later, he helped fund the young Andrew Carnegie; in 1878, as Thomas Edison began to experiment with electric light, Pierpont organized a group of financiers to back him. In addition to making smart choices, the Morgans acted as financial disciplinarians. Their clients, largely foreign at first, were putting up money primarily to build railroads, which were enormously expensive, and when things went wrong



During the terrifying financial crisis in the fall of 1907, desperate depositors lined up to get their money out of failing

BROWN BROTHERS; CORBIS-BETTMANN; ARCHIVES OF THE PIERPONT MORGAN LIBRARY

have turned so savagely upon those who had achieved it." Still, Lippmann mocked the "sense of conspiracy and secret scheming" in which "'Big Business,' and its ruthless tentacles, have become the material for the feverish fantasy" of people whose lives had been radically altered by economic change: "All the frictions of life are readily ascribed to a deliberate evil intelligence, and men like Morgan and Rockefeller take on attributes of omnipotence, that ten minutes of cold sanity would reduce to a barbarous myth."

PIERPONT MORGAN (he never used his first name, John) was born in Hartford, Connecticut, in 1837. His ancestors on both sides had come to America before the Revolution. He grew up in Hartford and Boston; moved to London in 1854, when his father, Junius, joined an Anglo-American merchant

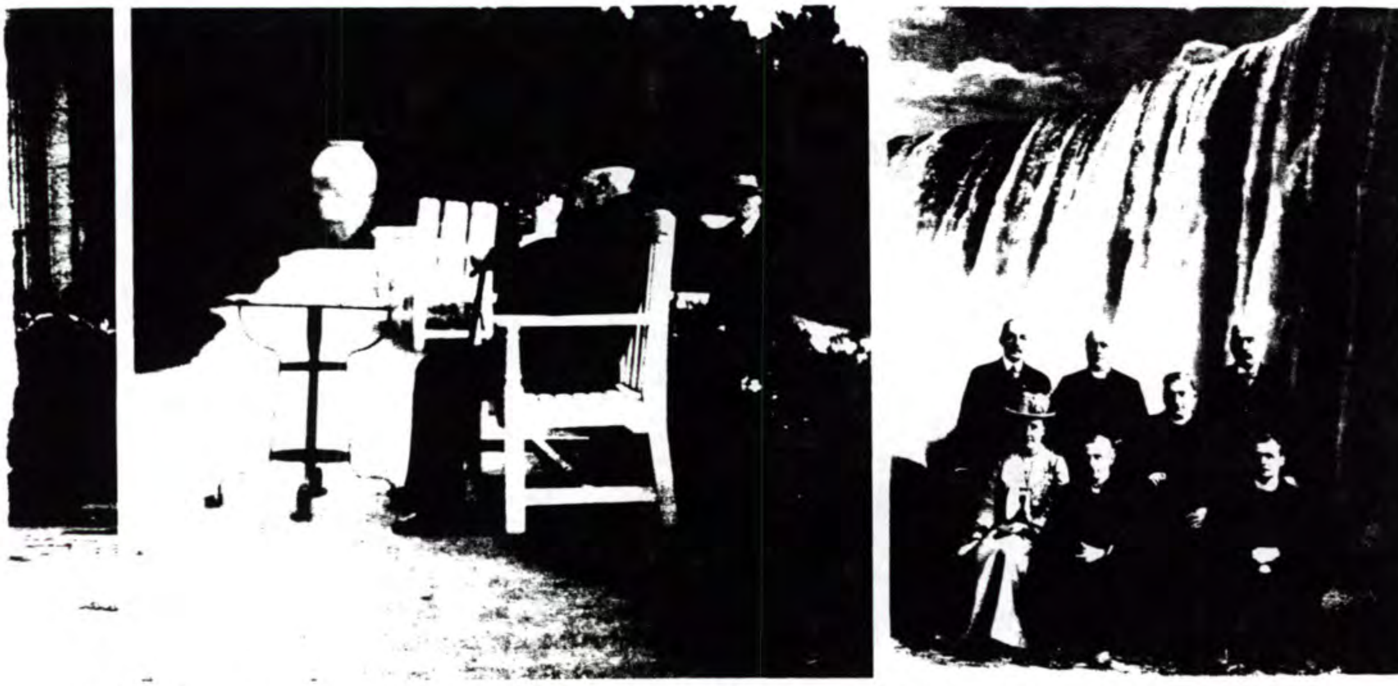
with his second wife, the former Frances Louisa Tracy, had four children—Louisa, J. P. Morgan, Jr. (Jack), Juliet, and Anne.

Like the emerging economies of the late twentieth century, America in the middle of the nineteenth needed much more capital than it could generate on its own, but European investors who had been cheated by American hucksters or badly hurt in U.S. depressions were not about to send more money across the Atlantic without some guarantee that it would be safe. The Morgans provided that guarantee. From affiliated banking houses in London and New York, Junius and Pierpont made it their business to certify which U.S. properties were "sound," and investors on both sides of the Atlantic gradually learned to trust the Morgan name on an issue of stocks or bonds.

In the eighteen-fifties, Junius raised

with one of the "Morgan" companies Pierpont fired the managers, restructured the finances, and appointed a board of trustees to supervise its affairs until things went right. His power came not from his wealth—he didn't make nearly as much money as he could have, if that had been his primary aim—but from a record that led other bankers and industrialists to trust him.

After the Civil War, in the period that came to be known, in Mark Twain's sardonic phrase, as the Gilded Age, many Americans got immensely rich. U.S. national income tripled between 1870 and 1900, and the size of individual fortunes soared. By the end of the eighteen-eighties, Pierpont and Junius Morgan together were probably worth about twenty-five million dollars: a lot of money when eighty per cent of American families earned less than five hundred dollars a year, but nothing like



banks. J. P. Morgan (posing with Episcopal clergy at right) hurried back from a church convention to take charge.

the major fortunes of the time. William Henry Vanderbilt left an estate worth two hundred million dollars when he died, in 1885; John D. Rockefeller, by 1892, had a net worth estimated at more than eight hundred million dollars (roughly twelve billion in nineteen-nineties dollars).

The tremendous new concentration of private affluence had unsettling effects not only on the vast majority of Americans who were not rich but also on the nation's Old Guard élites. Boston's Brahmins, New York's Knickerbockers, and the residents of Philadelphia's Main Line still had ample bank accounts, but wealth in previously unimaginable amounts belonged to the "new" men. Pierpont Morgan occupied an unusual place on this shifting social ground, since he qualified for membership in both the old and the new élites: he came from an eminent American family, but his professional drive and growing fortune were more characteristic of the arrivistes. Few men his age who assumed patrician status as a birthright spent their days trying to curb railroad wars or market government bonds.

And few of them played as wide-ranging a role in the growth of America's artistic and educational institutions as Morgan did in the last decades of the nineteenth century. He helped found and/or fund the American Museum of Natural History, the Metropolitan Museum of Art, Madison Square Garden, the Metropolitan Opera, the New York Botanical Garden, the Cathedral of St. John the Divine, and the American Academy in Rome. He gave a million dollars to the Harvard Medical School and hundreds of thousands to the Episcopal Church.

Brusque, publicity-shy, and neither introspective nor articulate, Morgan had no coherent philosophy and never explained his decisions. After a dinner in his honor in Chicago, the *Tribune* ran the headline "MONEY TALKS BUT MORGAN DOESN'T." On the mantel in his private study, he kept a white enamel plaque that read, in blue Provençal script, "*Pense moult, parle peu, écris rien.*" ("Think a lot, say little, write nothing.") Asked why he had merged a group of railroads or bought a controlling interest in an insurance company, he would say, "I thought it was the thing to do"—at once shutting out inquisitors, displaying Olympian self-assurance, and telling the partial (in both senses of the word) truth. He was, as Henry Adams said of Theodore Roosevelt, "pure act."

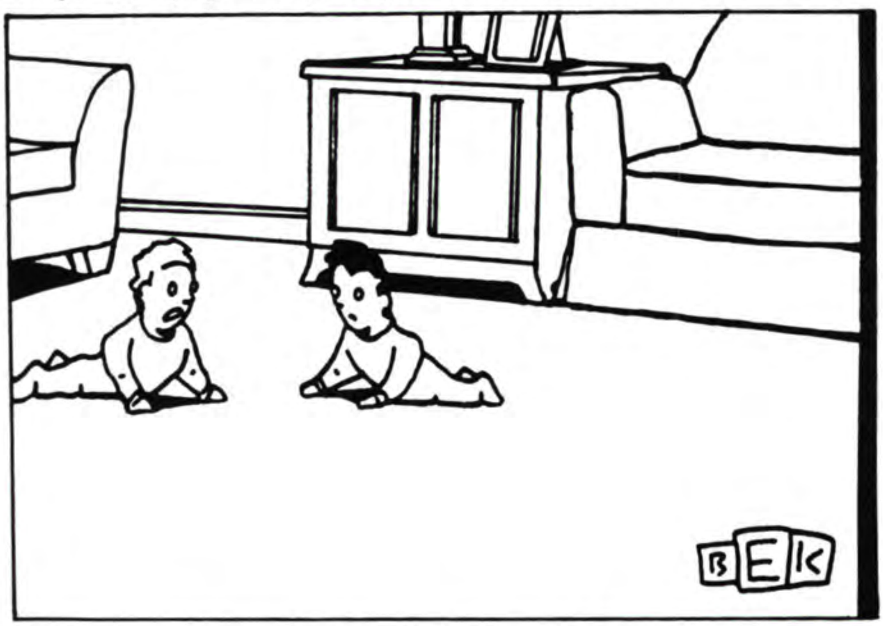
Morgan had begun to collect art in his twenties—mostly conventional academic genre paintings—but in his fifties he turned to rare books, illuminated manuscripts, Renaissance bronzes, and the work of Old Masters. After the turn of the century, he spent six months a year abroad, adding to his collections. The scope of his 1901 acquisitions prompted one of his British partners to wire the New York office—referring to Morgan in code—"I hope, though we cannot hint it, that Flitch will not buy the National Gallery at the end of the year." The following summer, the same partner complained, "We never see him & it is difficult to get hold of him. He spends his time lunching with Kings or Kaisers or buying Raphaels." To house his rare-book and manuscript collections, Morgan commissioned Charles McKim to build a private library next to his brownstone on Madison Avenue at Thirty-sixth Street, and once the building was finished he went so rarely to his Wall Street office that his partners christened the library "the Up-Town Branch."

BY 1907, Morgan had been acting as America's unofficial central banker for thirty years. Andrew Jackson had terminally crippled the Second Bank of the United States in 1836, a year before Morgan was born, and Woodrow Wilson signed the Federal Reserve System into law in 1913, a few months after Morgan died. Between 1836 and 1913, the United States had no effective way to regulate the supply of money and credit, no official lender of last resort, no federal recourse in times of inflation, depression, panic, or crash. The booming American economy went through a new financial crisis every ten or twenty years—in 1819, '37, '57, '73, '84, and '93. John Kenneth Galbraith has noted that the intervals between panics corresponded "roughly with the time it took people to forget the last disaster."

After the panic of 1893, Morgan spent most of the decade reorganizing bankrupt railroad and industrial companies. When the federal government all but ran out of gold in 1895, he raised sixty-five million dollars and made sure it stayed in the Treasury's coffers. That feat was particularly admired by European bankers and statesmen, since it kept the U.S. (which was still an emerging economy—we remained net debtors until 1914) from reneging on its debt. Had the country defaulted or gone off the international gold standard in 1895, the flight of foreign capital would have looked like the withdrawal of money from Russia in the summer of 1998. As it was, in the early eighteen-nineties European investors, anticipating the U.S. currency crisis, sold off four hundred million dollars' worth of American assets and shipped gold home.

Morgan's high-profile defense of the gold standard during the depression of the nineties helped establish his enduring image as a ruthless predator robbing America's farmers and workers to line his own pockets. Tying the dollar to gold was hugely unpopular in the anguished South and West, where farmers, workers, small businessmen, and other borrowers were desperate for easier money simply to survive. Each side in this painful struggle was, from its own perspective, right. Devaluing the currency would have eased the suffering of those hit hardest by the long contraction, but it would also have further damaged U.S. credit in international markets and prolonged the depression, since foreign investors would keep taking money out as the value of their dollar assets declined.

Morgan was looking not to torment America's farmers but to maintain the flow of capital from Europe. Intent on establishing economic stability, he took personal responsibility for supporting the dollar's value and coaxing economic adversaries to the bargaining table—workers and managers as well as warring railroad and steel barons—while urging Washington to modernize America's antebellum banking system. Between 1890 and 1910, he reorganized bankrupt railroads (the process came to be known as Morganization), put together the world's first billion-dollar corporation (U.S. Steel), and had a hand in setting up International Harvester and General Electric—all on the principle that the combination of rival interests into huge, rational systems was preferable to the boom-and-bust cycles, price wars, and speculative recklessness of internecine competition. But what he saw as healthy rational systems most of the country regarded as sinister monopolies, or "trusts."



"I'm hoping things will turn around. I just signed with a hot new day-care center."

DURING the first economic contraction of the twentieth century, in 1903, Morgan began plans for a fifty-million-dollar bankers' reserve fund in anticipation of a crisis. It wasn't needed, and productivity surged back to drive the Dow Jones Industrial Average from a low of 42 in November of 1903 to 103 in 1906. The growth spurt created an enormous demand for capital, but world gold production had not kept pace with industrial output, and money everywhere, pegged to gold, was scarce. Recent wars had absorbed Western cash reserves, foreign governments had raised their interest rates, and the United States was facing an acute liquidity crisis. At the beginning of 1906, Jacob Schiff, the head of the investment firm Kuhn, Loeb, warned that "if the currency conditions of this country are not changed materially . . . you will have such a panic . . . as will make all previous panics look like child's play."

Theodore Roosevelt—the first President since Lincoln whose stature was commensurate with the office—had cheerfully played both sides of the street in his relations with big business. He made his reputation as a "trustbuster" by prosecuting one of Morgan's largest railroad consolidations shortly after taking office, in 1902, then worked closely with the Morgan bank as he tried to define a new relationship between strong government and corporate America. Woodrow Wilson, the president of Princeton, attributed the country's economic troubles to the government's "aggressive attitude toward the railroads, that made it impossible for them to borrow." Much of the business community held a similar view at the time, and urged Roosevelt to ease up on regulatory measures and antitrust prosecutions. Instead, T.R. threatened at the end of 1906 to subject all large trusts to federal control, and declared that Americans were enjoying "a literally unprecedented prosperity."

In March of 1907, Morgan, who was then nearly seventy years old and semi-retired, was about to leave on his annual spring trip to Europe when the combination of monetary shrinkage and a rumor that Roosevelt was about to make a new move against the railroads prompted him to pay a call on the President. In

Washington on March 11th, the two men spent two hours discussing the situation. As he left the White House, Morgan told the press that Roosevelt would meet with the heads of leading railroads to see what might be done to "allay public anxiety."

On March 14th, the day after Morgan sailed for Europe, the stock market crashed. Roosevelt called off his meeting with the railroad men. Morgan's New York partners cabled their London colleagues that the "underlying cause" of the "enormous drop" was impossible to discern. Morgan remained abroad for five months. The worldwide credit shortage did not ease and damaged markets everywhere. Over the summer, large new bond offerings for Westinghouse and the Cities of Boston and New York failed to sell. New York's Metropolitan Traction Company and a major iron-manufacturing firm went bankrupt. In August, shortly after the American stock market fell again, Morgan sailed for home.

He was worried primarily about liquidity. America's obsolete banking system was like an immense tangle of dry brush and timber waiting for a spark, and the worst crises always came in the fall, when rural banks drew money out of New York to meet agricultural demand. There were in 1907 more than twenty-one thousand state and national banks across the country, with no coördinated management or pool of common reserves. Most of them loaned their surpluses to correspondent banks in New York, the national money center, and the New Yorkers loaned the money out to the Stock Exchange, individuals, and businesses. Banks beyond the Hudson could call in their loans at a moment's notice, however, and New York's big national banks, which were required to keep twenty-five per cent of their deposits in cash, would not possibly be able to meet demand if all of their correspondents suddenly demanded their money at once.

The weakest institutions in the system were trust companies chartered by the states to handle individual trust funds, wills, and estates. Not to be confused with the huge corporations like U.S. Steel, Standard Oil, and American Tobacco, which were commonly known as trusts, the trust companies operated like commercial banks, accepting deposits, issuing loans, and financing speculative ventures, but they had minimal regulatory supervision.

"Get me my gun. I want to squeeze off a few last rounds."

AT the beginning of October, shortly after Morgan returned from Europe, he was attending the Triennial Convention of the Episcopal Church in Richmond, Virginia, when an attempt by two speculators to corner the stock in a copper company failed, bankrupting a mining concern, two brokerage houses, and a bank. The speculators had induced several New York trust companies—including the Knickerbocker Trust, headed by a Morgan acquaintance, Charles T. Barney—to fund their venture. As reports of Barney's involvement in the copper scheme swept through New York, terrified Knickerbocker depositors began drawing their money out.

Morgan's partners kept him posted on the situation by messenger and wire, but insisted that he not come back to New York early, since a sudden change in his plans would increase the sense of panic. By this time, he could not cross the street without arousing speculation in the stock market and the press.

The Richmond convention ended Saturday afternoon, October 19th. Morgan left by train for New York, arriving early Sunday morning, and went straight to his library, where his partners were waiting. He smoked cigars as they filled him in. The Knickerbocker depositors' demands had been met for two days with help from the second-largest bank in the country, the National Bank of Commerce, but the run was likely to resume on Monday and the panic was certain to spread. Stocks were broadly down and cash was in short supply.

As soon as word got out that Morgan had returned to New York, reporters stationed themselves outside the library. Bankers and government officials dropped by all Sunday afternoon and evening as

the old man marshalled information and resources. Roosevelt, oblivious of the impending crisis, was hunting in the Louisiana canebrakes. He told a reporter on Sunday, "We got three bears, six deer, one wild turkey, twelve squirrels, one duck, one opossum, and one wildcat. We ate them all, except the wildcat."

In New York that night, Morgan lined up two groups of men. The first consisted of himself, his friend George F. Baker, president of the First National Bank, and James Stillman, president of the largest bank in the country, National City—known as "the Rockefeller bank" because of its close association with Standard Oil. (First National and National City merged in 1955 and eventually became Citibank.) Morgan, Baker, and Stillman would form a high command to review information and raise and allocate money as the country's provisional lender of last resort. The second group was made up of younger men: Morgan's partner George Perkins; Henry P. Davison, a protégé of Baker's and a vice-president at First National; and Benjamin Strong, the secretary of Bankers Trust, who was recommended by Davison. These six men would try to ascertain which trust companies were hopelessly overextended and should be allowed to fail, and which were essentially healthy and could be saved. Somehow they had to find ways to supply liquidity where it would do the most good. Late Sunday night, other New York financiers pledged to support any plan Morgan might devise.

It was after midnight by the time the meetings at the library broke up. Morgan's wife, Fanny, and his daughter Anne had recently returned from Europe and were at Cragston, the family's summer house in the Hudson River Valley, just below West Point. Since his town house was closed in October for cleaning, Morgan was staying with his elder daughter, Louisa Satterlee, at 37 East Thirty-sixth Street. His son, Jack, now forty years old, was in London.

On Monday, October 21st, Morgan held a strategy session over breakfast with George Perkins, then headed down to J. P. Morgan & Company, at 23 Wall Street. The pressure on the Knickerbocker Trust had increased: the company had sixty million dollars on deposit but just ten million in cash. Its directors told Morgan that afternoon that they had forced Charles Barney to resign but were afraid this news would accelerate the panic. While they talked, word came in that the National Bank of Commerce, which cleared transactions for the Knickerbocker, would no longer do so—a decisive vote of no confidence. The Morgan and Knickerbocker people conferred all afternoon and evening, moving from the Morgan bank to the library to a private dining room at Louis Sherry's restaurant. They adjourned at 2 A.M., with no plan except that the Knickerbocker would open in the morning, and that Henry Davison and Ben Strong would examine its books: if the younger men judged it financially sound, Morgan would find money to keep it afloat.

Long lines formed outside the Knickerbocker Trust, at Fifth Avenue and Thirty-fourth Street, overnight. Early Tuesday morning, as Morgan's lieutenants pored over accounts in a back office, depositors clamored for information and cash. The streets of the financial district "reflected the panicky feeling indoors, in the worried faces and the unusual crowds of hurrying men," the *Times* reported. By twelve-thirty, the Knickerbocker had paid out eight million dollars, and Davison and Strong told Morgan that they needed more time to determine whether it had enough assets to secure a loan. Morgan decided not to intervene, even though he had known Charles Barney for years. At 2 P.M., the Knickerbocker closed its doors.

Treasury Secretary George Cortelyou took the afternoon train to Manhattan as banks around the country withdrew their reserves from New York. Stock prices tumbled. The annual interest rate of money on the Exchange—"call" money loaned briefly by banks to brokers to finance their trades—reached seventy per cent. (At the "money post" on the Exchange floor, banks furnished call loans to brokers for anywhere from a minute to a few days. If a bank suddenly called in its loan, a broker could usually turn around and borrow the same amount from someone else, but in volatile markets interest rates fluctuated wildly according to the money supply.) As Morgan left his office, he told reporters, "We are doing everything we can, as fast as we can, but nothing has yet crystallized."

Late that night, the bankers met with Cortelyou at his hotel, and at 1 A.M. George Perkins announced that a syndicate would furnish money to the healthy trusts. The hardest hit, after the Knickerbocker, had been the Trust Company of America, with assets of a hundred million dollars. Hoping to ease public fears, Perkins promised specifically to buttress the T.C.A., but naming any institution in an atmosphere of panic turned out to be a mistake. The headlines on Wednesday morning, "AID TRUST COMPANY OF AMERICA: J. P. MORGAN IS TO HELP"—spooked the T.C.A.'s depositors, who lined up to get their money out.

MORGAN had come down with a heavy cold, and the Satterlees had trouble waking him up on Wednesday. When they finally succeeded, he had no voice and seemed to be in a stupor. His physician came and dosed him with lozenges, gargles, and sprays. On arriving, late, at 23 Wall Street, he found E. H. Harriman, Henry Clay Frick, and Thomas Fortune Ryan waiting to ask him how to stop the spreading disaster. He said he did not yet know. At 1 P.M., he learned that the T.C.A. had only $1.2 million in cash left. Without a loan, it could not stay open until closing time, at three o'clock.

A few minutes after one, Ben Strong came in with a preliminary report on the T.C.A. finances. He and Davison had been studying the accounts since four in the morning. Morgan said little as Strong presented his findings. Strong later recalled that the old man wanted no details, just general facts and results. Several times he asked, "Are they solvent?" Strong replied that the T.C.A. surplus was gone, but its assets were more or less intact.

Would the bankers be justified in seeing this company through? Morgan wanted to know.

Strong said he thought that they would.

Morgan turned to Baker and Stillman: "This is the place to stop the trouble, then."

Morgan asked Oakleigh Thorne, the head of the T.C.A., to bring him securities that the company had accepted as collateral for loans. By two-fifteen, the T.C.A. had only a hundred and eighty thousand dollars in cash on hand, and its employees were trooping into 23 Wall Street with leather boxes and sacks full of certificates. Morgan, Strong, and Thorne sat down around a big table to add up the value of the stocks and bonds. James Stillman got on the phone to his bank. Morgan, coughing and sneezing, took notes on a pad, and as soon as he had enough collateral for an advance told Stillman to send that amount around to the T.C.A. offices. By three o'clock, about three million dollars had been delivered and the Trust Company of America had, for the moment, survived.

Ben Strong spent the rest of that day and night confirming his appraisal of the T.C.A.'s assets. The company was not yet in the clear, and other institutions were getting clobbered. Westinghouse had gone into receivership, a run had started on the Lincoln Trust Company, and the Pittsburgh Stock Exchange had suspended trading—which would probably precipitate a stock-market panic in New York. The interest rate on call money had risen to ninety per cent.

Morgan summoned the presidents of the trust companies late that night to the Union Trust, on Fifth Avenue at Thirty-eighth Street, and asked them to come up with ten million dollars for the T.C.A. the next day. The presidents talked. Nothing happened. Sick and worn out, Morgan fell asleep in his chair, cigar in hand. When he woke up after half an hour, he asked Ben Strong for a pencil and paper. He went around the room insisting on pledges from one man after another until he had $8.25 million. He committed the commercial banks to make up the rest, and left with Stillman to see Cortelyou. The Treasury Secretary arranged for the government to deposit twenty-five million dollars in New York. Headlines on Thursday morning announced that "CORTELYOU PUTS IN $25 MILLION," and that Morgan's "bank league" would prop up the trusts. As Morgan drove down to his office at 10 A.M., people shouted, "There goes the Old Man!" and "There goes the Big Chief!" He pretended not to notice, his son-in-law and biographer, Herbert Satterlee, wrote later, "but it was evident that he was pleased."

John D. Rockefeller provided ten million dollars to support the trust companies on Thursday, but the panic had spread to the Stock Exchange. Financial institutions calling in loans were choking off the market's money supply, and by 12:30 P.M. cash was so scarce that the call rate reached a hundred per cent. Morgan telephoned the presidents of New York's major commercial banks, and by two o'clock they had gathered in his office. He said that he needed twenty-five million dollars to lend to the Exchange or fifty brokerage houses would fail. Stillman pledged five million from the National City Bank. Minutes later, Morgan had $23.5 million. He sent this news to the Exchange floor, and euphoric traders took up almost nineteen million dollars in half an hour. "The rebound was instantaneous," the *Times* reported.

Thursday had been the fourth straight day of panic. As the hysteria spread, banks across the country stepped up their withdrawals from New York, and by noon on Friday the call-money rate had soared to a hundred and fifty per cent. Morgan gathered the commercial bankers at the New York Clearing House and raised another eleven million to be loaned to the Exchange. He marched back to his office to notify the floor: "With his coat unbuttoned and flying open, a piece of white paper clutched tightly in his right hand, he walked fast down Nassau Street," Satterlee recalled. "His flat-topped black derby hat was set firmly down on his head. Between his teeth he held a paper cigar holder in which was one of his long cigars, half smoked. His eyes were fixed straight ahead. He swung his arms as he walked and took no notice of anyone. He did not seem to see the throngs in the street, so intent was his mind on the thing that he was doing. . . . He simply barged along, as if he had been the only man going down the Nassau Street hill past the Subtreasury. . . . Not more than two minutes after he disappeared into his office, the cheering on the floor of the Stock Exchange could be heard out in Broad Street." As Morgan left his office late that afternoon, he told reporters that if people would leave their money in the banks everything would be all right.

THE Stock Exchange had weathered the siege, and most of the trusts were still open. No money would be loaned over the weekend. Before the Morgan teams took a recess, however, they set up a public-relations committee to give out encouraging information to the press, and a spiritual-relations committee that urged city clergymen to counsel calm. In London, Lord Rothschild praised "the unselfish remedial action of Mr. Morgan." Jacob Schiff told an English friend that no one else "could have got the banks to act together, and to join hands in the work, as [Morgan] did, in his autocratic way." Saturday's newspapers reported that five million dollars in gold would be sent from London, that confidence had returned to the French Bourse, "owing to the belief that the strong men in American finance would succeed in their efforts to check the panic," and that "J. P. Morgan has a cold."

Morgan, who had not had more than five hours' sleep any night that week, took a Saturday-afternoon train up the Hudson to Cragston, and slept most of the way. "Very quiet evening," his wife wrote in her diary. "[Pierpont] says he feels that the end of the trouble has come." From pulpits throughout the city on Sunday, religious leaders told people not to panic.

President Roosevelt had remained on the sidelines. In Nashville on Tuesday, he insisted that his policies had not caused the panic, and promised to pursue them "unswervingly." After he returned to Washington Wednesday night, he changed his tune. He sent Cortelyou a letter designed for publication—the newspapers printed it on Sunday—congratulating the Secretary and "those conservative and substantial business men who in this crisis have acted with such wisdom and public spirit." The fundamentals of the American economy were essentially sound, the President said, and the actions taken in New York to check the panic should "produce entire confidence in our business conditions."

Late Sunday afternoon, Morgan returned to the city. George Perkins cabled Jack Morgan in London: "Believe we have the situation well in hand. All well here, but very shy on sleep."

By Monday, nearly twenty million dollars of European gold had left for New York, but the bankers did not in fact have the situation in hand. The next domino to totter was New York City. Mayor George B. McClellan (son of the Civil War general) came to see Morgan, Baker, and Stillman on Monday afternoon. The city needed thirty million dollars to meet its payroll and interest obligations, he said, and there was no money to borrow. Without help, New York would be bankrupt by the end of the week. Morgan put together a syndicate to take thirty million dollars in municipal-revenue bonds paying six per cent, and New York did not default.

For the rest of the week, the battle-fatigued Morgan troops continued to support the trusts, plug holes in the banking system with cash, scan the financial horizon for more signs of trouble, and try to steady shattered nerves. When one banker reported that he was worried because his reserve had dipped below the legal limit, Morgan snapped, "You ought to be ashamed of yourself to be anywhere near your legal reserve. What is your reserve for at a time like this except to use?"

MORGAN'S men met at the library every day and issued optimistic reports each night, but on Friday, November 1st, the probable failure of a brokerage house called Moore & Schley threatened to set off a new round of panic. This firm, which for years was the largest brokerage on Wall Street, had played a leading role in the promotion of industrial mergers between 1898 and 1902. In the fall of 1907, Moore & Schley owed about thirty-five million dollars to banks in Boston, Philadelphia, Chicago, and New York. Among the securities it had used to guarantee its loans were shares of the Tennessee Coal, Iron & Railroad Company, an independent steel producer based in Birmingham, Alabama. The brokerage house did not actually own this stock. Grant Schley, the head of the firm, had organized two syndicates in 1905-06 to buy a controlling interest in T.C. & I. Moore & Schley had loaned money to members of both syndicates, taking T.C. & I. stock as collateral, and then pledged the shares again to secure its own bank loans. A prominent member of one of the syndicates was the notorious John W. Gates, a burly man with a bullet-shaped head who had allegedly once bet a thousand dollars on which of two raindrops would reach the bottom of a windowpane first. Bet-a-Million Gates controlled Republic Iron & Steel in Birmingham, and was hoping to build a steel empire in the South.

What happened with T.C. & I. in 1907 provoked more controversy than any other aspect of the panic, and became the subject of congressional investigations in 1909 and 1911. Witnesses gave testimony at the second hearing that directly contradicted what they had said at the first, and made statements that bore no relation to facts recorded at the time. There has been so much dispute about these events, and so many conflicting retrospective claims on all sides, that it is nearly impossible to reconstruct the complete story.

The problem in late October of 1907 had to do at first not with Moore & Schley but with Grant Schley himself and another T.C. & I. shareholder, a wine merchant named George Kessler. Both had been speculating in T.C. & I. stock and using the shares as collateral for large loans. Kessler was vastly overextended, with accounts at ten different houses. To bail himself out earlier in the year, he had tried to interest U.S. Steel in buying his T.C. & I. stock for a hundred and thirty dollars a share, but the price was thought to be too high. In October, when Kessler's creditors asked him to pay off his loans, he could not come up with cash.

Schley, who was also hugely leveraged in 1907, owed money to his firm, to his friends, and to several banks—about a million dollars to J. P. Morgan & Company, and more than two million to Baker's First National—and he could not cash out on his T.C. & I. shares, either. The banks refused to accept more T.C. & I. stock as collateral that fall, Schley said later, partly because the bankrupt Kessler's "name had been mixed up with it." Another reason was that the estimated market value of the stock, for which some shareholders had paid a hundred and thirty dollars, had fallen to about sixty dollars. At the beginning of the panic, Schley had taken his case to Morgan, who arranged for U.S. Steel to lend him 1.2 million dollars' worth of its own bonds for eighteen months, taking two million dollars' worth of T.C. & I. shares as security.

The loan did not solve Schley's problems, which he had been discussing all along with another T.C. & I. syndicate member, Oliver Hazard Payne, a director of American Tobacco and Standard Oil. On Friday, November 1st, Payne suggested that the syndicate simply "sell the Tennessee Coal & Iron [company] and be done with it." There was, both men agreed, only one potential buyer—U.S. Steel. Accordingly, Schley sent for Lewis Cass Ledyard, who was Payne's lawyer and Morgan's close friend, to open negotiations for the sale of T.C. & I. Ledyard went over the Moore & Schley books and asked Schley what would pull him out. Schley said a hundred dollars a share.

The next morning, Ledyard took this information to Morgan. Kessler had just defaulted, and it looked as though Schley would be next. Having navigated through two straight weeks of crisis, Morgan was determined to forestall further panic, and he thought Schley's failure likely to wreck the incipient recovery. If Schley and his firm went bankrupt and the banks auctioned off their securities, other financial firms would fail as well, returning public confidence would erode, and it would be impossible to raise more money for the still foundering trusts.

Morgan called in Elbert Gary, the chairman of U.S. Steel's board, and Henry Clay Frick, one of its directors. Morgan was also a director. If U.S. Steel bought T.C. & I., he proposed, it could substitute its own highly rated bonds for the unmarketable T.C. & I. stock as collateral at the banks. The bonds would act like money in the market, bank portfolios would not lose value, and Moore & Schley would not need a huge infusion of cash just when it looked as though the trusts were going to require another twenty-five million dollars. Morgan may not have known much about T.C. & I.—by 1907 he was more interested in art than in steel mills—but he thought this trade would work.

Neither Frick nor Gary liked the idea. T.C. & I., as they knew, had high costs and inefficient operations. In 1901, when Morgan and Gary had organized U.S. Steel by consolidating Carnegie Steel with other major steel companies, steamship lines, railroads, and ore lands, they had deliberately left T.C. & I. out of the deal. In 1907, Gary feared that the acqusition would invite prosecution under the Sherman Antitrust Act.

Members of the U.S. Steel finance committee met in Morgan's library for several hours on Saturday, and late that afternoon Gary and Frick called on Schley with two offers: U.S. Steel would either lend the brokers five million dollars or buy the T.C. & I. stock at ninety dollars a share. Schley said no. He needed far more than five million dollars, and his associates would not take less than a hundred dollars a share for the stock.

That night, a Morgan accountant began going over the T.C. & I. books, and on Sunday Schley and his associates tried to impress the bankers with "the value of the property"—its ore and coal reserves. T.C. & I. owned large iron-ore and coal properties in close proximity to its plants, whereas the big Northern steelmakers had to ship raw materials in from distant mines. Not all the Southern acreage was productive, however; the facilities had inadequate water supplies; and the ore was of a lower quality than that of mines in the North. George Perkins noted dryly that T.C. & I. had owned those reserves for twenty years, "but it didn't prevent the stock selling at 30." A Northern steel man appointed chairman of T.C. & I.'s board in 1901 had found "scarcely any of the property that was right, if it was possible for it to be wrong," and had estimated that the company would need twenty-five million dollars to bring it up to Northern standards. T.C. & I.'s outlook had improved in 1906, when the Schley-Gates syndicate installed new management and supplied $6.25 million to modernize the facilities. The company had reported its highest earnings that year—$2,753,160, or about $9.40 per share. The hundred-dollar price Schley was holding out for in late October, 1907, was ten times that—not an unusually high multiple, but it was based on the company's single best year.

Despite the widely understood caveats, U.S. Steel executives apparently concluded that T.C. & I. had enough potential to outweigh its liabilities: it could provide them with significant mineral resources, new productive capacity, and a stronghold in the South. Over the long run, Morganization and large infusions of cash might turn it into

"Maybe you should see a meteorologist about it."

a profitable asset. Early Sunday evening, the finance committee offered to trade about thirty million dollars' worth of U.S. Steel bonds, plus six hundred and thirty thousand dollars in cash, for about thirty million dollars in T.C. & I. stock valued at a hundred dollars a share. Schley accepted these terms, and his associates agreed to the exchange. Gary, however, would not proceed without President Roosevelt's approval. He telephoned the White House on Sunday at 10 P.M. to set up an appointment for the next morning, and took a midnight train to Washington with Frick.

ON Saturday, November 2nd—the day the finance committee met at the library to discuss taking over T.C. & I.—Morgan's town house had reopened, and Fanny and Anne moved back to the city. Crisis had followed crisis for two long weeks. Morgan had manufactured liquidity for desperate markets, coming up with funds by persuasion, fiat, threat, and loan, and everyone, from bankers to trust-company presidents, stockbrokers, and account clerks was exhausted.

Henry Davison and Ben Strong had remained on twenty-four-hour research duty as rumors flew around town. On Saturday afternoon, they reported that the Trust Company of America and the Lincoln Trust held mostly solid assets but needed more cash. At nine-thirty Sunday evening, more than fifty men gathered in Morgan's library. One of them later recalled the "anxious throng of bankers, too uneasy to sit down or converse at ease, pacing through the long marble hall and up and down the high-ceilinged rooms," which were filled with Renaissance bronzes, Gutenberg Bibles, and tiers of books. Morgan asked the trust-company presidents to raise another twenty-five million dollars.

Ben Strong, waiting to make a report, fell asleep. When he woke up, James Stillman asked him when he had last been to bed. Not since Thursday night, Strong admitted. Stillman said the country would not collapse if Strong went home, but at that moment Morgan asked for the figures on the Trust Company of America. At 3 A.M., after Strong finished his report, he headed to the library's front doors and found them locked. Morgan had the key in

SHOWCASE BY LYNN DAVIS

THE BIG PICTURE

LYNN DAVIS has spent much of the past twelve years in remote parts of the world, studying what she calls the "architectural puzzles" of ancient civilizations and making monumental landscape photographs. When she comes home, she produces huge (as big as forty-five by forty-five inches), brooding, elaborately toned prints, the most recent of which are now on view at the Edwynn Houk Gallery, in a show called "Africa."

Davis became known as a serious photographer in the nineteen-seventies, with portraits and nude studies. In 1986, she went to Greenland to photograph icebergs, and since then she has been working on a project that has taken her to Burma, Cambodia, the Australian deserts, Turkey, and most of Africa. The images she brings back from her trips are formally austere, but they carry tremendous emotional weight. This is achieved to a large extent through a toning process that was inspired by nineteenth-century photographs. Davis collaborates with a printer in Minneapolis, Steve Rifkin, who mixes up enterprising concoctions of selenium, sepia, and gold. Voluptuous photographs of Victoria Falls in the new show have a steely gray-blue tone that no picture has ever had before. The show also includes photographs of a mud mosque in Mali, the curved stone walls of Great Zimbabwe, the remains of what is said to have been the Queen of Sheba's palace in Ethiopia, and pyramids.

Davis says that she intended the pyramids to be less romantic than those in a series she made in 1989, but even though the new photographs are concerned with the geometry of the frame, they are luminous, mysterious, and lyrical. They were taken not long after terrorists massacred sixty tourists in Luxor, and she found herself the only foreign visitor at Dashur, which had recently been opened up after having been off-limits to civilians for years. She spent days alone with the pyramids there, taking photographs with the old Rolleiflex that is the only equipment, besides a light meter, that she carries with her. —SHARON DELANO

his pocket. No one would leave until the crisis was resolved.

The trust-company presidents continued to talk in the library's West Room, Morgan's private study. At 4:15 A.M., Morgan walked in with a statement providing for each trust company to subscribe its share to a new twenty-five-million-dollar loan. One of his lawyers read it out loud, then set it down on a table. "There you are, gentlemen," Morgan said.

No one moved.

Morgan went over to Edward King, head of the Union Trust, and drew him to the table. "There's the place, King," he said, "and here's the pen." King signed. The other presidents followed suit. A committee of five large trusts, led by King, was appointed to handle the loan and supervise the final-stage rescue of the Lincoln Trust and the Trust Company of America. Finally, at 4:45 A.M., the library's brass doors swung open to let the bankers out.

Four hours later, Elbert Gary and Henry Clay Frick met at the White House with Theodore Roosevelt and his Secretary of State, Elihu Root. They quickly sketched the outlines of the situation. As a pure business proposition, they did not want T.C. & I., they said: it would be of dubious benefit to U.S. Steel. Moreover, even though the acquisition of T.C. & I. would not, in their view, give them monopoly control over the country's steel companies, the purchase was likely to arouse public antagonism and raise antitrust questions, which was why they wanted clearance from Washington.

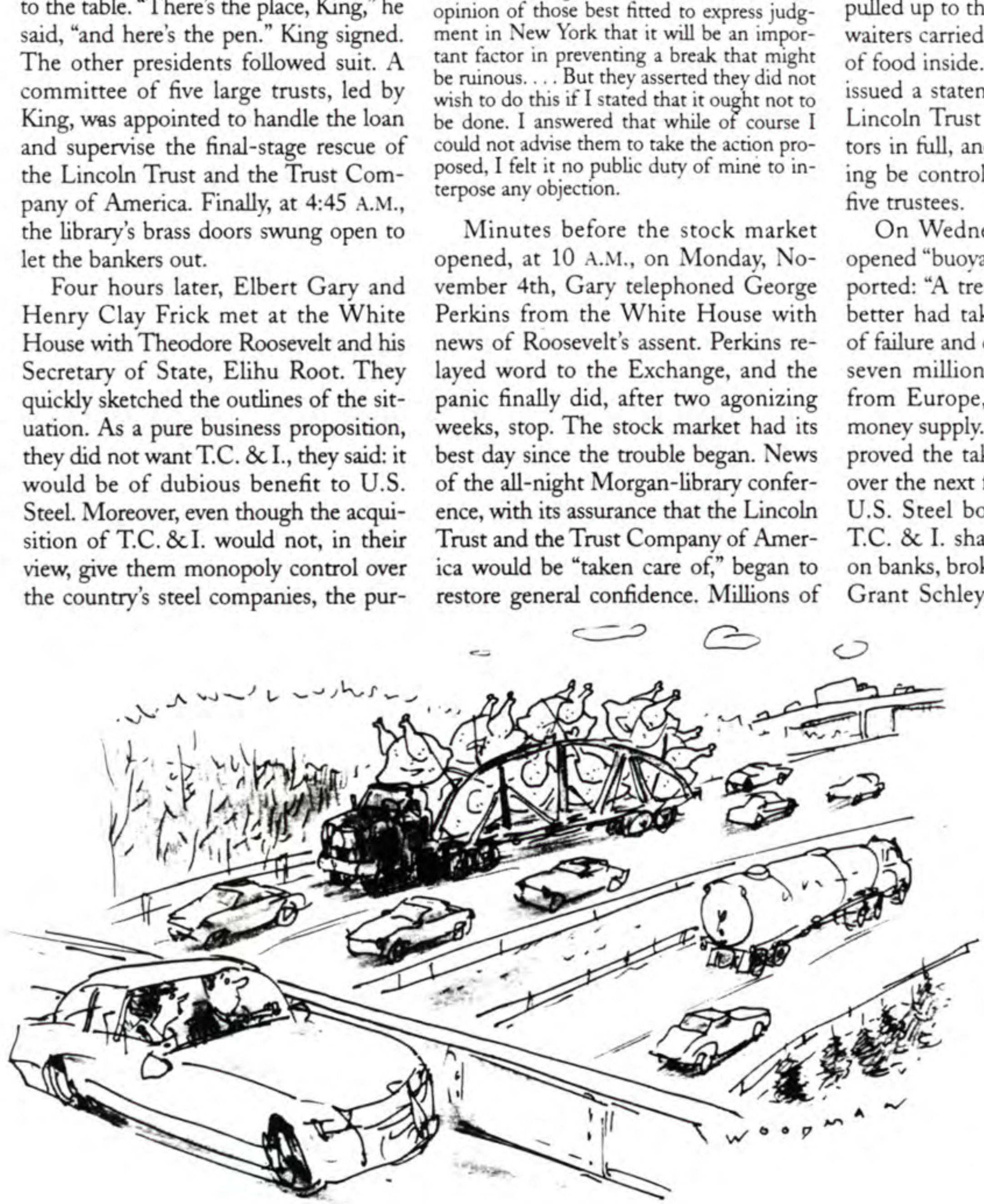
Roosevelt, by this time aware of the dangers just averted, desperate to prevent further trouble, and grateful for Morgan's expertise, approved the proposition. He drafted a note to his Attorney General. The steel men felt, he wrote:

> that it is immensely to their interest, as to the interest of every responsible businessman, to try to prevent a panic and general industrial smashup at this time, and . . . are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous. . . . But they asserted they did not wish to do this if I stated that it ought not to be done. I answered that while of course I could not advise them to take the action proposed, I felt it no public duty of mine to interpose any objection.

Minutes before the stock market opened, at 10 A.M., on Monday, November 4th, Gary telephoned George Perkins from the White House with news of Roosevelt's assent. Perkins relayed word to the Exchange, and the panic finally did, after two agonizing weeks, stop. The stock market had its best day since the trouble began. News of the all-night Morgan-library conference, with its assurance that the Lincoln Trust and the Trust Company of America would be "taken care of," began to restore general confidence. Millions of additional dollars in gold would be shipped from Europe. Morgan's wife wrote in her diary that night: "P. dined with [Anne] and me and dozed in his big chair and slept all night till 8 A.M."

On Tuesday, November 5th, the city's leading bankers and industrialists once again gathered at Morgan's library. By 11:30 A.M., carriages and automobiles lined Thirty-sixth Street from Madison to Park. Meetings went on all day and into the night as details of the final trust-company relief and the sale of T.C. & I. were worked out. Shortly before midnight, a wagon from the Waldorf-Astoria pulled up to the library's front door, and waiters carried coffee urns and hampers of food inside. At 3 A.M., Edward King issued a statement: the T.C.A. and the Lincoln Trust would pay their depositors in full, and would for the time being be controlled by his committee of five trustees.

On Wednesday, the stock market opened "buoyantly," George Perkins reported: "A tremendous change for the better had taken place . . . and all talk of failure and collapse ceased." The first seven million dollars in gold arrived from Europe, and began to ease the money supply. U.S. Steel's directors approved the takeover of T.C. & I., and over the next few days the exchange of U.S. Steel bonds for non-negotiable T.C. & I. shares relieved the pressure on banks, brokers, and markets, and on Grant Schley. He used the bonds to pay off twelve million dollars in debts, and his firm began to redeem its loans from the banks. The Roosevelt Administration told a Morgan partner that it was anxious to help in any way it could.



Charles Barney, the ex-president of the Knickerbocker Trust, whose involvement in the copper stock speculation had touched off the panic, killed himself on November 14th.

The art scholar Bernard Berenson told his patroness, Isabella Stewart Gardner, "Morgan should be represented as buttressing up the tot-

THE QUEEN OF CARTHAGE

Brutal to love,
more brutal to die.
And brutal beyond the reaches of justice
to die of love.

In the end, Dido
summoned her ladies-in-waiting
that they might see
the harsh destiny inscribed for her by the Fates.

She said, "Aeneas
came to me over the shimmering water;
I asked the Fates
to permit him to return my passion,
even for a short time. What difference
between that and a lifetime: in truth, in such moments,
they are the same, they are both eternity.

I was given a great gift
which I attempted to increase, to prolong.
Aeneas came to me over the water: the beginning
blinded me.

Now the Queen of Carthage
will accept suffering as she accepted favor:
to be noticed by the Fates
is some distinction after all.

Or should one say, to have honored hunger,
since the Fates go by that name also."

—LOUISE GLÜCK

tering fabric of finance the way Giotto painted St. Francis holding up the falling Church with his shoulder."

FOR a moment in 1907, Morgan was a national hero. The next moment, however, the exercise of so much power by one private banker brought out America's long-standing distrust of financial élites. The T.C. & I. "deal" between the President and U.S. Steel generated the greatest animosity. Morgan was charged with creating the panic in order to grab a threatening rival on the cheap.

Few observers accepted U.S. Steel's portrait of itself as reluctant saint. The company's claim that it had acted only to prevent wider financial disruption seemed rank hypocrisy to a public on the lookout for abuses of corporate power. "There has been so much trickery and dishonesty in high places," Roosevelt wrote to his brother-in-law on November 16th, and muckraking exposés had "caused such a genuine shock to people that they have begun to be afraid that every bank really has something rotten in it. In other words, they have passed thru the period of unreasoning trust and optimism into unreasoning distrust and pessimism."

Upton Sinclair's 1908 novel, "The Money-Changers," portrayed a Morgan-like figure orchestrating the financial crisis to devastate ordinary people for his own gain. John Moody, who had started publishing *Moody's Manual of Industrial and Miscellaneous Securities* in 1900, said that if Wall Street's leaders "checked the panic" in acquiring T.C. & I. "they did it by taking a few dollars out of one pocket and putting millions into another." U.S. Steel had paid thirty million dollars for a company that critics now claimed was worth anywhere from ninety million to two billion—estimates that far exceeded those of the company's shareholders in 1907. Even if Morgan had paid the asking price of a hundred and thirty dollars a share, the total would have come to just thirty-nine million—less than half of the lowest retrospective valuation.

In 1909, a Senate Judiciary Committee investigation of the T.C. & I. takeover concluded that the "Morgan banks" in New York had squeezed Moore & Schley, and forced the brokers to "surrender" the T.C. & I. stock. According to the committee's report, T.C. & I. was worth several hundred million dollars, and it brought U.S. Steel control of the country's iron-ore supply and open-hearth rail production, as well as a monopoly of the iron and steel trade in the South and elimination of a "strong and growing competitor." The U.S. Steel trust had absorbed T.C. & I. in violation of the Sherman Antitrust Act, the committee declared, and Roosevelt had no business authorizing non-enforcement of the law.

Two years later, a House investigation of the steel industry, led by Augustus Stanley, of Kentucky, made newspaper headlines for months. Grant Schley, who had instigated the sale of T.C. & I. in 1909, told the Stanley committee that his firm might have survived without the sale, and that a five-million-dollar loan could have saved it—although at the time he had said that wasn't enough. One of the committee's most popular witnesses was the furious Bet-a-Million Gates, who had wanted T.C.& I. for himself. Gates had been abroad in the fall of 1907. He did not return until November 5th, to find that Schley had sold T.C. & I. out from under him. The fact that he had been on the Atlantic did not prevent him from testifying in colorful detail about events that took place during his absence, or from doubling the estimates of T.C. & I. mineral reserves. He claimed that U.S. Steel had got "the best property in the country and at a bargain price."

Theodore Roosevelt, no longer President, appeared before the committee in August, 1911, and took full responsibility for having authorized Elbert Gary and Henry Clay Frick to proceed with the deal. What mattered in early No-

"We will begin with Schubert's 'Unfinished' Symphony, and that will be followed by Beethoven's 'Unwanted Sexual' Overture."

vember of 1907, he said, was to stop the panic, and his approval of the steel merger had done just that. He had known perfectly well that once the "imminent and too appalling" danger had passed, he would be subject to attack. "If I were on a sailboat," he explained, "I should not ordinarily meddle with any of the gear, but if a sudden squall struck us and the main sheet jammed so that the boat threatened to capsize I would unhesitatingly cut the main sheet even though I were sure that the owner, no matter how grateful to me at the moment for having saved his life, would a few weeks later, when he had forgotten his danger and his fear, decide to sue me for the value of the cut rope."

Representative Martin W. Littleton, of New York, wanted to show that Gary and Frick had hoodwinked Roosevelt, but the former President flatly denied it. "I was then thoroughly satisfied, and after events made me more thoroughly satisfied, that what was done was absolutely necessary to save the situation," he testified. "A good many of your questions enter into the hidden domain of motives. I never supposed they were going to take action that would be damaging to themselves.... Using the same simile I used before, if I think it necessary to haul on a rope on a boat to prevent its going over, I welcome help from any husky individual who hauls. I don't worry about his altruistic motives toward me. I want him to pull on the rope."

When George Perkins took the witness stand, Representative Charles L. Bartlett, of Georgia, suggested that Morgan had brought on the panic to destroy trust companies that competed with his bank. "What do you say to the statement that the panic was started to get rid of certain undesirable bankers, and that you gentlemen later were unable to manage it?" Bartlett asked.

Perkins stood up in high theatrical dudgeon and slammed his fist on the table. "I say that there never was a more infamous lie started than that. There is not a scintilla of truth in it. You might just as well say that a certain group of gentlemen made a contract with Mrs. O'Leary's cow to kick over the lamp that set Chicago on fire."

Witness after witness denied that the bankers had squeezed Moore & Schley, that U.S. Steel had hammered T.C. & I. to force down its price, that Morgan had cooked up the panic. Even Grant Schley could point to no evidence of diabolic design.

Two months later, George Wickersham, the Attorney General, brought suit against U.S. Steel under the antitrust law, partly in response to the absorption of T.C. & I. "A desire to stop the panic was not the sole moving cause" of the takeover, the charge read. The corporation had also aimed to acquire "a company that had recently assumed a position of potential competition."

If anyone in the drama of late 1907 can be retrospectively identified as Mrs. O'Leary's cow, it is Grant Schley. He was fighting to save himself, and, fortunately for him, the prospect of his firm's failure just as the panic eased did represent a threat to the tenuous recovery of the economy. The fact that Schley had an asset U.S. Steel might use was a stroke not of conspiratorial genius but of luck. There were no other takers for T.C. & I. in November, 1907. In the 1911 investigation, Representative Littleton asked Schley, "Was there any particular reason why the T.C. & I. should be made the subject of a trade between you and the Steel Corporation?"

"It relieved my needs," Schley answered frankly. "It relieved every friend I had and relieved my office."

MORGAN and the people he represented stood to lose millions of dollars if the economy collapsed and the country slid into a long depression. He loftily equated his own interests with the national interest, convinced that what was good for the Morgan clients was good for the country, and he had the authority and personal force to make his convictions prevail. That he acted out of self-interest made it impossible for his critics to see any legitimacy in what he did. Yet his intervention in 1907 had the greatest benefit for people outside his social class. Rich capitalists and big corporations suffer in economic meltdowns, but those hurt the most by prolonged contractions are farmers, workers, small businessmen, and the unemployed.

Morgan had been worried in the fall of 1907 not about a potentially competitive steel producer in the South but about sustaining the U.S. economy. He and his colleagues were pragmatic men. If they had really wanted to force down T.C. & I.'s price and pick the company up for a song, why didn't they simply watch Moore & Schley fail, let the banks unload the shares, and pay far less than thirty million dollars? U.S. Steel paid off three million dollars in T.C. & I. debts right away, and by 1913 had spent another $23.5 million on long-term improvements—almost exactly the amount its board chairman thought would be required—which effectively brought the acquisition price to $56.5 million, or twenty times T.C. & I.'s 1906 earnings. Even if the takeover had turned out to be a great deal for U.S. Steel, and it didn't, Morgan had not substantially underpaid. He was negotiating during a crisis, and paid a far higher price than his colleagues advised.

That the U.S. economy had grown far beyond one man's control was an irony Morgan's critics missed. His American firms lost twenty-one million dollars in 1907. John D. Rockefeller, reflecting on his and Morgan's support of seventy banks during the panic, said to a senator, "Now, that was a pretty nice thing for two such very, very bad men to do, wasn't it?"

Though the 1907 crisis was relatively brief, it brought on a nationwide contraction that destroyed not only speculative enterprises but healthy banks and businesses as well, and threw people all over the country out of work. Those who did not blame these troubles on Morgan attributed them to the antiquated banking system, and the panic seemed to confirm what the country's leading financiers had been saying for some time—that America urgently needed a monetary policy, new banking legislation, and currency reform.

In 1908, Congress passed a Currency Act authorizing banks to form reserve associations that could issue money temporarily in emergencies, and setting up a National Monetary Commission to study the nation's financial structure. Five years later, after Morgan died, the United States established the Federal Reserve System. In 1914, Ben Strong became the first governor of the Fed in New York. Milton Friedman and Anna Schwartz, pointing out the "striking contrast" between Morgan's effective handling of the 1907 crisis and the failure of the Federal Reserve to contain the 1929 panic and limit the consequent depression of the thirties, speculate about what might have happened had Strong not died in 1928: "Strong, more than any other individual, had the confidence and backing of other financial leaders inside and outside the [Federal Reserve] System, the personal force to make his own views prevail, and also the courage to act upon them. . . . If Strong had still been alive and head of the New York Bank in the fall of 1930, he would very likely have recognized the oncoming liquidity crisis for what it was, would have been prepared by experience and conviction to take strenuous and appropriate measures to head it off, and would have had the standing to carry the System with him."

In 1907, Morgan had recognized the coming crisis, and took appropriate steps to head it off. The spectre of a New York plutocrat intervening to restore the country's economic equilibrium elicited more fear than admiration among the general public, but on Wall Street and in the financial centers of Europe Morgan gained stature. This year's Fed-brokered bailout of Long-Term Capital Management aroused less vituperation than Morgan's bailout of Moore & Schley, but most Americans remain deeply and often justifiably cynical about the machinations of financiers. In the abstract, it would have been preferable to let the gamblers at L.T.C.M. and Moore & Schley fail, paying the price for their own recklessness. But in both cases the failures threatened further to unhinge the world's already highly unstable markets. And in both cases the interventions seem to have worked. Central bankers can't expect to be popular. They just hope to be right. ♦

"Handwriting analysis has revealed that Spencer is not in fact my husband."

ROTARY INTERNATIONAL

12-16-98

One Rotary Center
1560 Sherman Avenue
Evanston, IL 60201-3698 USA

CJennings
Mild reply

James L. Lacy
President, 1998-99

14 December 1998

Honorable William Jefferson Clinton
President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

I sincerely appreciate you taking time out of your busy schedule on Friday to meet with me. I was gratified to hear you express your personal commitment to the goal of a polio-free world by the year 2000. On behalf of the 400,000 members of Rotary in the United States, and 1.2 million Rotarians in 159 nations around the world, I would like to thank you for making polio eradication a priority of your Administration. The United States has been the leader in efforts to eradicate polio, a disease which at one time crippled some 600,000 children annually. Rotary International respectfully requests you to continue your leadership of the initiative. We would like you to make the eradication of polio part of your Presidential legacy, by designating $97.2 million for polio eradication in your Fiscal Year 2000 budget and highlighting in your "State of the Union" address the eradication program, its promise, and United States leadership.

As we discussed, by the end of the year 2000, if the current momentum can be maintained, polio will be the second disease to be eradicated from the earth--a truly historic event. The Polio Eradication Initiative represents a historic partnership between the public and private sectors. The USA is leading the effort, through the Centers for Disease Control and the Agency for International Development. Rotary International is the leading private partner, and will have invested some $500 million by the time polio is certified eradicated in 2005. The United States will save $230 million in immunization costs per year once polio is eradicated, and worldwide savings will exceed $1.5 billion annually. The benefits of polio eradication to humankind will be immeasurable.

Once again, on behalf of Rotary International I commend you for your leadership and support of U.S. efforts to eradicate polio around the world. We would like you to reap the rewards of the added investment the United States has provided in the global Polio Eradication Initiative and make it part of your Presidential legacy. I look forward to continuing to work with you on this cause which is so important to the future of the world's children.

Please accept my best wishes for a happy holiday season and a healthy and prosperous New Year.

Sincerely,

James L. Lacy

James L. Lacy
President

12-17-98
Burkhardt to coordinate Reply

copied
Jennings
Podesta

Phone: 847-866-3027 Fax: 847-866-3390

ROTARY INTERNATIONAL

12-16-98

One Rotary Center
1560 Sherman Avenue
Evanston, IL 60201-3698 USA

CJennings
Mid Nyly

James L. Lacy
President, 1998-99

14 December 1998

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President of the United States of America
The White House
Washington, DC 20500

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Please accept my best wishes for a happy holiday season and a healthy and prosperous New Year.

Sincerely,

James L. Lacy

James L. Lacy
President

copied
Jennings
Podesta

Phone: 847-866-3027 Fax: 847-866-3390

Bruce
S Street
prov. summer op
BS

12-16-98

NSBA

Copied
Reed
Street
Podesta

November 17, 1998

President William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of the National School Boards Association, I want to suggest several opportunities for you to appear before the leaders of the National School Boards Association as they gather in Washington, from January 30 through February 1, 1999. You and the Vice President have made an unparalleled commitment to public education and the nation's 90,000 local school board members are your local partners. We would relish the opportunity to share our goals with you, enlist your support, and thank you for your efforts on behalf of the nation's public schools.

NSBA is launching a bold and ambitious initiative aimed at making increased student achievement the focal point of the work of each of the nation's 15,000 local school boards. NSBA and our state associations will work with school boards to aid them in becoming convenors of their communities around student learning. We hope you would join us in inspiring these leaders to enthusiastically implement this "new work of school boards."

We have an exciting proposal to launch this initiative. It would truly make increased student achievement a national goal if we were to bring our leaders from across the nation to the White House to explain our program to you and the Vice President. That would provide a splendid forum to once again demonstrate the administration's commitment to strong public schools and recognize the crucial role of school boards as the lay governors of public education. We would suggest Friday afternoon, January 29, for such an event.

Should that event not be feasible, we would like to extend to you several opportunities to speak to our school board leaders. Our leadership meeting will convene in Washington, on Saturday, January 30, and we would be pleased to have you join us at a suitable time that day. The preferable times within our meeting schedule would be either at lunch or between 3:00 and 5:00 p.m. The participants in this session are some 200 elected and executive state school board association leaders representing the 50 states and the District of Columbia, the U.S. Virgin Islands and Guam.

Another alternative would be an appearance before our Federal Relations Network Conference that will be meeting in Washington, on Sunday and Monday, January 31 and February 1, 1999. This meeting augments the leaders I just mentioned with some 700 local school board members from each congressional district. They receive intensive briefings on federal legislative issues and spend a day on the Hill in meetings with Members of Congress and their staffs. This would be a splendid opportunity to outline the Clinton-Gore legislative agenda for public education. We would be pleased to work with your scheduling office to arrange a suitable time for your appearance.

I thank you for considering this invitation and hope that one of the alternatives would prove acceptable.

Sincerely yours,

Anne L. Bryant

Anne L. Bryant
Executive Director
National School Boards Association

ALB/hps:df
g:/ltr98/clinton2
cc: Barbara M. Wheeler, President, National School Boards Association
Director of the Office of Scheduling
Michael Cohen, Special Assistant to the President for Education Policy
Ann F. Lewis, Assistant to the President and Director of Presidential Scheduling
Doris Matsui, Assistant to the President and Director of Public Liaison
John Schnur, Senior Education Advisor to the Vice President
Lisa Berg, Director of Scheduling and Advance for the Vice President

Seasons Greetings

'98 DEC 16 AM11

December 10, 1998

Dear President Clinton, Ms. Clinton and Chelsea:

I am sending my heartfelt love and sincere support. These are very trying times for you, I know. Please be assured you have many, many friends and supportbes. I am very proud you are my President, and my first family.

My God continue to bless all of you.

Sincerely,

Patricia Mellerson

Patricia Mellerson
224 Washington Avenue
Homestead, Florida 33030
305-248-7772

12/15/98

Send to Burkhardt?

Yes ✓

No

HONORARY PARTICIPATION REQUEST

Please return to Neal Sharma, Room 97

'98 DEC 16 AM 9:25

Today's Date: November 20, 1998

Date of Request:	11/6/98
Request for:	POTUS
Type of Request:	Honorary Chairperson
Requestor Name:	Mr. Ross Deutsch
Title:	Chairman
Organization:	The Rory David Deutsch Foundation Post Office Box 547 Highland Park, Illinois 60035
Contact Tel. #:	
Event Date:	4/25/99
Event Description:	Foundation's kick-off event
Notes:	The Rory David Deutsch Foundation will have its kick-off event at the Adler Planetarium on April 25, 1999. The Foundation's primary goal is raising money for brain tumor and pediatric research. The Foundation has applied for 501(c)(3) status. The President has expressed interest in serving as Honorary Chair for this organization. The President should ACCEPT.
Recommendation:	PC [signature] AC ________ (Unless otherwise noted, a yes answer will automatically generate a message as well as acceptance of the honorary position).

Comments:

Neal-
I told Denise Caplan, the attorney who works for Deutsch, that this would be final pending approval by counsel. She'll probably call you soon.
Phil
12/16

NEA - SHAMA

THE RORY DAVID DEUTSCH FOUNDATION
P.O. BOX 547
HIGHLAND PARK, ILLINOIS 60035

November 6, 1998

The Honorable William J. Clinton
President of the United States
1600 Pennsylvania Avenue
Washington, D.C. 20500-0003

Re: The Rory David Deutsch Foundation

Dear Mr. President:

I greatly appreciate your interest in The Rory David Deutsch Foundation. While we are in the process of working with your attorneys to determine how you can participate in the Foundation on a continuing basis, I respectfully request your agreement to serve as Honorary Chairperson of the Foundation's kick-off event at the Adler Planetarium on April 25, 1998.

The emphasis of the event is on family and outer space, two things that were very important in Rory's life. The Foundation believes that a fundraiser to which the entire family is invited and in which even the family can participate will serve to promote family values, help to teach children the importance of charity, as well as furthering the Foundation's primary goal of raising money for pediatric brain tumor and pediatric research. Moreover, since Rory was a space enthusiast, having the Foundation's kick-off event at the Adler Planetarium is a tribute to Rory, in whose honor and memory the Foundation was founded.

If you are interested in serving as the Honorary Chairperson of this exciting event, please have your assistant confirm your agreement with the Foundation's attorney, Denise B. Caplan, at (312) 201-3901.

Sincerely,

Ross Deutsch/DBC

Ross Deutsch
Chairman

cc: Phillip Caplan, Esq.
The White House
West Wing
Washington, D.C. 20500

Denise B. Caplan, Esq.
Goldberg, Kohn, Bell, Black,
Rosenbloom & Moritz, Ltd.
55 East Monroe Street
Suite 3700
Chicago, Illinois 60603

Send to Burkhardt ?

Yes ✓

No

coord with OMB + Todd Stern

JOHN P. HOLDREN

Teresa and John Heinz Professor of Environmental Policy
Director, Program on Science, Technology, & Public Policy
John F. Kennedy School of Government

79 John F. Kennedy Street
phone 617 495-1464
fax 617 495-8963

Professor of Environmental Science and Public Policy
Department of Earth and Planetary Sciences

20 Oxford Street
phone 617 495-7854

HARVARD UNIVERSITY
Cambridge, Massachusetts 02138
15 December 1998

'98 DEC 16 PM 1:42

Honorable William Jefferson Clinton
President of the United States

Dear Mr. President:

With your FY2000 budget request, you have an historic and, I hope, irresistible opportunity to put energy-technology innovation on a pathway responsive to the array of energy-related challenges that the next century will bring. As you know, those challenges include reducing U.S. oil imports, controlling the energy costs paid by U.S. consumers, enhancing U.S. competitiveness in world energy technology markets, improving air and water quality, reducing proliferation risks of nuclear energy operations around the world, and — most demanding of all — providing the energy needed to expand economic prosperity in the industrialized countries and establish prosperity in the developing ones while sharply *reducing* the greenhouse-gas emissions that imperil global climate.

The PCAST energy study that I led for you last year made detailed recommendations on the Federal program of energy R&D that would be required to ensure, in synergism with private-sector efforts, an adequate response to these challenges. It recommended that DOE's applied energy technology R&D budget be increased from its $1.3 billion level in FY1998 to $1.8 billion in FY1999, $2.0 billion in FY2000, and $2.4 billion by FY2003, with the largest part of the increases focused on renewable-energy and energy-efficiency options and smaller increments for fission, fusion, and advanced fossil-fuel technologies. The Administration's FY1999 request included about 60 percent of the increment proposed by PCAST, and about 70 percent of this survived in the final appropriation.

Under the circumstances, this was a signal accomplishment for the Administration. But it leaves the FY1999 appropriation $280 million short of the PCAST recommendation for that year and $530 million short of the PCAST recommendation for FY2000. **In other words, an increase of about $500 million above the FY1999 applied energy R&D appropriation will be required in FY2000 to get back onto the PCAST-recommended trajectory.** About $400 million of this increase (following the PCAST recommendations) should be in renewables and efficiency, but the additional funds in the PCAST portfolio for fission, fusion, and advanced fossil-fuel technologies are also badly needed and fully warranted by the short- and long-term energy challenges we face.

To do much less than this would gut the Climate Change Technologies Initiative, which is the centerpiece of the Administration's climate strategy, and would shrivel U.S. capacity to draw developing countries into the partnerships in energy research, development, demonstration, and deployment that should be the cornerstone of a cooperative approach to the climate-change problem. I very much hope, therefore, that you will give this budget matter the push from the top that it requires. Many thanks and

Best personal regards,

John

HONORARY PARTICIPATION REQUEST

Please return to Neal Sharma, Room 97

Today's Date: December 15, 1998 '98 DEC 16 AM 9:25

Date of Request:	11/9/98
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Co-Chairs
Requestor Name:	Ms. Carol Wheeler
Title:	D.C. Area Coordinator
Address:	Project Children 1650 30th Street, N.W. Washington, D.C. 20007
Contact Tel. #:	202/298-7784
Event Date:	2/3/99
Event Description:	The 1999 Gala
Notes:	Project Children will celebrate its 25th anniversary and will honor founder and Chairman, Denis Mulcahy. The gala will raise funds to provide Irish children with vacations in the United States. Ambassadors O'Huiginn and Meyer have agreed to serve as Honorary Patrons. The President and First Lady have served as Honorary Co-Chairs in 1996, 1997, and 1998. The President and First Lady should ACCEPT.
Recommendations:	MV ________ PC [signature] 12-16-98 (Unless otherwise noted, a yes answer will automatically generate a message as well as acceptance of the honorary position). Comments:

cc: Amy Comstock, 136

PROJECT
CHILDREN

November 9, 1998

The President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

I am writing to ask you and Mrs. Clinton to serve once again as **Honorary Co-Chairs** of our **annual gala**. Next year's event will be a very special one because it will celebrate **Project Children's 25th anniversary** and will honor our founder and Chairman, Denis Mulcahy, along with the thousands of American host families who have been part of our program. The event will be held at the **Kennedy Center** on Wednesday, **February 3rd.**

We'll present an "Irish Valentine" to our guests in the form of a performance that spotlights the contributions of artists and leaders who hail from Ireland or Northern Ireland. The evening will include professional poets, authors, singers and dancers as well as theatrically-inclined Washingtonians. I'm enclosing a copy of last year's program. It was a wonderful show, and we'll be building on its success.

You both have such a special place in the hearts of so many of our participants (on both sides of the Atlantic) that we can't quite imagine our event without you. We hope you feel the same and that you'll say "yes" to our invitation to serve, along with Mrs. Clinton, as Honorary Co-Chair of our anniversary celebration.

Sincerely,

Carol Wheeler

Carol Wheeler
Washington Coordinator - left message w/ ~~Wheeler~~ Wheeler 11/20

Ambassadors: Irish
O'Huiginn
Meyers

HONORARY PARTICIPATION REQUEST

Please return to Neal Sharma, Room 97

Today's Date: December 15, 1998

'98 DEC 16 AM 9:24

Date of Request:	10/15/98
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Co-Chairs
Requestor Name:	Herbert L. Dupont, M.D.
Title:	President
Address:	National Foundation for Infectious Diseases Suite 750 4733 Bethesda Avenue Bethesda, Maryland 20814-5228
Contact Tel. #:	301/656-0003
Event Date:	3/4/99
Event Description:	1999 NFID Awards Dinner
Notes:	Specializing in educational and prevention programs, this national nonprofit group supports research into cures for infectious diseases. This year's honorees are Dr. Stanley Falkow and Surgeon General David Satcher. The President and First Lady have served as Honorary Co-Chairs for the past four years. President and Mrs. Carter and President and Mrs. Ford have agreed to serve as Honorary Co-Chairs. A NEXIS search revealed no reason why the President and First Lady should decline. The President and First Lady should ACCEPT.
Recommendations:	MV ________ PC ________ 12-16-98 (Unless otherwise noted, a yes answer will automatically generate a message as well as acceptance of the honorary position). Comments:

cc: Amy Comstock, 136

National Foundation for Infectious Diseases®

RESEARCH PREVENTION EDUCATION

4733 Bethesda Avenue
Suite 750
Bethesda, Maryland 20814
Telephone: 301/656-0003
Facsimile: 301/907-0878
E-mail: nfid@aol.com

NFID 1973 - 1998 25TH ANNIVERSARY

October 15, 1998

The Honorable William J. Clinton
Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President & Mrs. Clinton:

The **National Foundation for Infectious Diseases (NFID)** will sponsor its annual NFID Awards Dinner on March 4, 1999, at the Ritz-Carlton Pentagon City Hotel in Arlington, VA. This year NFID will present two awards for outstanding service—the **Maxwell Finland Award for Scientific Achievement** and the **Jimmy and Rosalynn Carter Award for Humanitarian Contributions to the Health of Humankind**.

The Maxwell Finland Award for Scientific Achievement is presented to a scientist who has made outstanding contributions to the understanding of infectious diseases or public health. The 1999 Maxwell Finland Award will be presented to **Stanley Falkow, Ph.D.** The Jimmy and Rosalynn Carter Award for Humanitarian Contributions to the Health of Humankind is presented to individuals whose outstanding humanitarian efforts and achievements have contributed significantly to improving the health of humankind. The 1999 Jimmy and Rosalynn Carter Award will be presented to Assistant Secretary for Health and U.S. Surgeon General **David Satcher, M.D., Ph.D.**, who was the former director of the Centers for Disease Control and Prevention.

The NFID Boards of Directors and Trustees greatly appreciated your support last year when you both served as honorary co-chairs to honor General Colin L. Powell and renowned vaccine researcher, Dr. Maurice R. Hilleman. We are again extending you both an invitation to serve as honorary co-chairs.

With more than 300 people expected, the black-tie gala will begin with a reception at 6:30 p.m. and dinner at 7:30 p.m. Following dinner at approximately 9:30 p.m., both awards will be presented. Both national and local media will be present.

We would certainly welcome your attendance at this event honoring such remarkable citizens. We will understand, however, if your busy schedules preclude you from attending. In addition, it would be highly appropriate and appreciated if you could provide a letter for each of the awardees which will be read at the event and included in our program as a tribute to Dr. Falkow and Dr. Satcher.

NFID is a national, nonprofit, 501(c)(3) public organization founded in 1973, and dedicated to support research into the causes and cures for infectious diseases, to encourage and sponsor public and professional educational programs, and to aid in the prevention of infectious diseases.

Enclosed are last year's dinner program and invitation. If you have any questions, please do not hesitate to contact Len Novick, NFID Executive Director, at (301) 656-0003 or William J. Martone, M.D., NFID Senior Executive Director, at (770) 939-2936. We look forward to hearing from you or your staff in the near future.

Sincerely,

Herbert DuPont

Herbert L. DuPont, M.D.
President

Paul G. Rogers

Paul G. Rogers
Chairman, Board of Trustees

Enclosures

13 December,1998

Attention: Mr. Rthrford
Fax: 6718971
No. of Pages : 3

Rec'd
12/15 in
Israel

Subject: **Letter to H.E. President Clinton**

TO NSC
for reply

Dear Mr. Rthrford:

Reference is made to the telephone conversation with Ms. Donna this morning please find attached herewith the letter forwarded to H. E. President Bill Clinton. I would highly appreciate your kind attention that thisletter is handed to H.E. President Clinton before his arrival in Gaza.

Phil
12/16/98

Best regards.

Rawya Shawa Rawya Shawa
Member of the Palestinian Legislative Council

Rawva Shawa
Member of the Palestinian Legislative Council
P. O. Box 87
The Gaza Strip, Palestine
Telephone: (972-7)2821242- 2824177

December 13, 1998

His Excellency President William Jefferson Clinton,
President of the United States Of America
Honorable Mrs. Hillary Clinton

Dear Mr. President and Mrs. Clinton:

As History records the date of your historical visit as a very significant occasion to the palestiniau People, who welcom you and your family with open hearts and great respect, it reminds us of what the United States of America stands for: Freedom, Democracy, And Justice For All.

Dear Mr. President, as we live the massive security arrangements underway in preparation to your visit, most Palestinians believe that you could unguardedly walk in any street with no threat or danger to yourself, accompanying guests, or family. The Palestinian people hold you, Mr. President and Mrs. Clinton in high respect for the common beliefs and principles your people and ours share. Unfortunately however, the Palestinian people – unlike the American people- have never had the historical opportunity to practice and experience those principles. Your Excellency, the aspirations of the Palestinian people can only be met by the recognition of their inalienable rights based upon international legitimacy and most importantly through the right to self-determination and an independent Palestinian state.

As much as your visit is welcomed and appreciated in Gaza, it is somehow late, because it took the American Government such a long time trying to understand the Palestinian Cause and establishing friendly alliances and relations with the Palestinian People.

As a nation and a part of this world living its global events we visualize memories like Hiroshima Bombardment, racism against African Americans and Indians, etc...- as similar cases to ours.

However, as the time can't go back and those hard memories still persist in the American conscience. I believe that the American Government has to seize the historic opportunity in tackling tbe Palestinian cause with adequate justice.

On this historical day you will be meeting the Palestinian people at the Rashad Shawa Cultural Center. This wonderful Center was built by my father, Rashad Shawa, the late Mayor of Gaza and a statesman who courageously fought for and defended the Palestinians right for statehood. Even though your visit today does not mean that you formally recognize a Palestinian state, Palestinians nevertheless, view it, as a sort of spiritual recognition of our statehood. My father passed away ten years ago. I, as one of his children, take great comfort in the fact that this date represents the culmination, at least in part, of what my father fought so hard for and indeed dreamt of.

President Clinton, the reality in the Gaza Strip is quite different from what surrounds you at this moment in the Rashad Shawa Cultural Center: The Gaza Strip is equivalent to a large detention camp with more than 1 million prisoners -- 99% of whom have committed no crime. Palestinians can only leave the detention camp with permits issued by the Israeli authorities. Only a few kilometers from where you are at this moment at the Eretz checkpoint. (Every Palestinian's nightmare). It causes great pain and humiliation for the residents of the Gaza Strip. Students cannot travel freely to universities outside the Gaza Strip, critical patients cannot seek help for medical services unavailable in the Gaza strip, family members are deprived from seeing their relatives outside Gaza Strip. At dawn of every morning Palestinian daily laborers are seen heading to their work in Israel under extremely strict security measures – the view that only calls to mind portraits of the slavery era -.
Was all of this part of the Peace Agreement?!

Dear Mr. President, on behalf of all Palestinian mothers and myself, I say this is a historical moment for the International Community with the support of the United States of America which asserts the principle of freedom and liberation of all nations. Henceforth; we call upon the parties concerned to take this opportunity to recognize the legitimate right of an independent Palestinian State for the Palestinian People.By this, I am sure that all the strenuous efforts exerted for the enhancement of a just peace between the two nations will put an end for the continuous bloodshed of innocent People from the two Peoples.
Wishing Your Excellency, Honorable Mrs. Clinton, and Ms. Chelsea a pleasant Stay in Palestine.

Rawya a Shawa

Rawya R. Shawa

Member of the PalestinianLegislative council

13 December, 1998

Attention: Mr. Rthrford
Fax: 6718971
No. of Pages : 3

Subject: **Letter to H.E. President Clinton**

Dear Mr. Rthrford:

Reference is made to the telephone conversation with Ms. Donna this morning please find attached herewith the letter forwarded to H. E. President Bill Clinton. I would highly appreciate your kind attention that thisletter is handed to H.E. President Clinton before his arrival in Gaza.

Best regards.

Rawya Shawa Rawya Shawa
Member of the Palestinian Legislative Council

Rawya Shawa
Member of the Palestinian Legislative Council
P. O. Box 87
The Gaza Strip, Palestine
Telephone: (972-7)2821242- 2824177

December 13, 1998

**His Excellency President William Jefferson Clinton,
President of the United States Of America
Honorable Mrs. Hillary Clinton**

Dear Mr. President and Mrs. Clinton:

As History records the date of your historical visit as a very significant occasion to the palestinian People, who welcom you and your family with open hearts and great respect, it reminds us of what the United States of America stands for; Freedom, Democracy, And Justice For All.

Dear Mr. President, as we live the massive security arrangements underway in preparation to your visit, most Palestinians believe that you could unguardedly walk in any street with no threat or danger to yourself, accompanying guests, or family. The Palestinian people hold you, Mr. President and Mrs. Clinton in high respect for the common beliefs and principles your people and ours share. Unfortunately however, the Palestinian people – unlike the American people- have never had the historical opportunity to practice and experience those principles. Your Excellency, the aspirations of the Palestinian people can only be met by the recognition of their inalienable rights based upon international legitimacy and most importantly through the right to self-determination and an independent Palestinian state.

As much as your visit is welcomed and appreciated in Gaza, it is somehow late, because it took the American Government such a long time trying to understand the Palestinian Cause and establishing friendly alliances and relations with the Palestinian People.

As a nation and a part of this world living its global events we visualize memories like Hiroshima Bombardment, racism against African Americans and Indians, etc...- as similar cases to ours.

However, as the time can't go back and those hard memories still persist in the American conscience. I believe that the American Government has to seize the historic opportunity in tackling the Palestinian cause with adequate justice.

On this historical day you will be meeting the Palestinian people at the Rashad Shawa Cultural Center. This wonderful Center was built by my father, Rashad Shawa, the late Mayor of Gaza and a statesman who courageously fought for and defended the Palestinians right for statehood. Even though your visit today does not mean that you formally recognize a Palestinian state, Palestinians nevertheless, view it, as a sort of spiritual recognition of our statehood. My father passed away ten years ago. I, as one of his children, take great comfort in the fact that this date represents the culmination, at least in part, of what my father fought so hard for and indeed dreamt of.

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Wishing Your Excellency, Honorable Mrs. Clinton, and Ms. Chelsea a pleasant Stay in Palestine.

Rawya Shawa

Rawya R. Shawa

Member of the PalestinianLegislative council

City of Cleveland
Michael R. White, Mayor

Cleveland City Hall
601 Lakeside Avenue
Cleveland, Ohio 44114
216/664-2220

12-16-98

~~reply~~
cc:

The Honorable William Jefferson Clinton
The White House
Washington, DC 20500

December 15, 1998

Dear President Clinton:

I am writing to convey my continued support for you in this troubling political period. I have only unwavering support for your leadership and steadfast commitment to keeping this country economically and socially strong. **I sincerely urge you to continue to fight the good fight and urge you not to resign…no matter what!**

I have prepared a statement calling this impeachment process what it is…a sham upon America. I, like the American people, have had enough. I wanted to tell you my feelings of support for you. I loathe that the conservative element has turned this issue into a partisan, unfair and unwarranted impeachment process.

I have welcomed you to Cleveland and will continue to do so. You have been a friend and ally of mine and also a friend to Cleveland. Your Administration's commitment to community revitalization is heralded by many in the business and political communities of Cleveland. Indeed, if it were not for your Administration's support, Cleveland would have a harder time enjoying its renaissance.

Due to your leadership, this country's economy is the strongest it has been in over 40 years, the unemployment rate is down, a real race relations dialogue is taking place and educational reform is underway. This most certainly is not the time for you to step down. Contrary to Republican belief, your resignation is a concern of national security.

If I can be of any help to you in this race for votes of support or any other matters, don't hesitate to have your staff contact me.

Your Friend,

Mayor Michael R. White

12-16-98
After you have seen, we will send original to Burkhardt for reply.
Yes ✓
No ______
coord with